Mtubatuba Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Operating as a Local Municipality
Executive Committee	
Mayor	Cllr. MC Zungu
	Cllr NJ Mlambo- Deputy Mayor
	Cllr MM Davies - Speaker
Councillors	Cllr LM Mkwananzi
	Cllr MQ Mkwananzi
	Cllr V Ncamphalala
	Cllr M Shobede
	Cllr MA Gina
	Cllr P Tembe
	Cllr NG Khumalo
	Cllr ZE Nyawo
	Cllr JM Gumede
	Cllr F Mpanza
	Cllr S Shezi
	Cllr RM Bukhoshi
	Cllr SR Khumalo
	Cllr M Ndlovu
	Cllr N Zuma
	Cllr V Madonsela
	Cllr P Mkwananzi
	Cllr S Sibiya
	Cllr D Ntuli
	Cllr Z Mhlongo
	Cllr SJ Khoza
	Cllr SM Khumalo
	Cllr SM Gumede
	Cllr P Msweli
	Cllr R BB Mkwananzi
	Cllr G Msane
	Cllr M Mtethwa
	Cllr A Mabika
	Cllr P Ntshalintshali
	Cllr J Lembede
	Cllr T Zikhali
	Cllr Z Mtethwa
	Cllr K Mpontshana
	Cllr M Govender
	Cllr S Vilane
	Cllr E Ntuli
Grading of local authority	Grade 3
Accounting Officer	Mr SR Ntuli
Chief Finance Officer (CFO)	Mrs SQ Mntambo

General Information

Accounting Officer	Mr SR Ntuli
Registered office	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Business address	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Postal address	P O Box 52 Mtubatuba 3935
Bankers	First National Bank Mtubatuba
Auditors	Auditor General South Africa Registered Auditors
Attorneys	Ngubane & Associates Nxumalo & Partners Khathi & Mkhize Attorneys Garlicke & Bosfield Matthew Francis Attorneys Miya Incorporated Nompumelelo Hadebe Inc Lalpasard Incorporated Mdledle Incorporated

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Mr SR Ntuli
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The municipality is engaged in operating as a local municipality and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer has no interests in the contracts awarded during the year under review.

5. Accounting policies

Details to be input here...

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr SR Ntuli

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Executive mayor and Municipal Manager

The roles of Executive mayor and the Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Councillors and section 56 Managers of the municipality, are determined by the Department of Co-operative governance and traditional affairs.

Internal audit

The municipality outsourced its internal audit function during the year under review.

Accounting Officer's Report

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Mr SR Ntuli
Municipal Manager

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Receivables from exchange transactions		1,293,028	640,533
Receivables from non-exchange transactions	8	1,350,186	11,728,923
VAT receivable	9	-	1,983,111
Consumer debtors	10	23,212,647	43,696,870
Cash and cash equivalents	11	34,828,855	47,248,103
		60,684,716	**105,297,540**
Non-Current Assets			
Investment property	3	32,082,001	32,082,000
Property, plant and equipment	4	447,803,253	416,212,410
Intangible assets	5	746,429	1,317,182
Heritage assets	6	1,104,835	1,104,835
		481,736,518	**450,716,427**
Total Assets		**542,421,234**	**556,013,967**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	41,158,723	53,121,856
VAT payable	15	586,806	-
Consumer deposits		137,799	-
Unspent conditional grants and receipts	12	18,029,193	47,212,664
Provisions	13	5,296,874	6,346,966
		65,209,395	**106,681,486**
Non-Current Liabilities			
Employee benefit obligation	7	2,264,000	2,264,000
Provisions	13	22,861,771	20,889,332
		25,125,771	**23,153,332**
Total Liabilities		**90,335,166**	**129,834,818**
Net Assets		**452,086,068**	**426,179,149**
Reserves			
Revaluation reserve		47,841,911	27,598,810
Accumulated surplus		404,244,164	398,580,333
Total Net Assets		**452,086,075**	**426,179,143**

* See Note 38 & 37

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	5,598,509	4,545,232
Rendering of services		392,780	1,879,105
Rental of facilities and equipment		524,096	280,968
Licences and permits	19	779,816	1,397,958
Other income		1,722	-
Interest received - investment	22	1,199,339	1,065,479
Total revenue from exchange transactions		**8,496,262**	**9,168,742**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	36,407,960	34,070,102
Interest, Dividends and Rent on Land	21	11,467,103	11,194,902
Transfer revenue			
Government grants & subsidies	24	211,050,758	190,028,566
Fines, Penalties and Forfeits	18	1,556,127	1,575,412
Total revenue from non-exchange transactions		**260,481,948**	**236,868,982**
Total revenue	16	**268,978,210**	**246,037,724**
Expenditure			
Employee related costs	25	(83,969,146)	(83,891,876)
Remuneration of councillors	26	(16,274,780)	(14,436,357)
Depreciation and amortisation	27	(29,294,598)	(34,119,005)
Finance costs	28	(2,026,803)	(3,202,556)
Lease rentals on operating lease	20	(2,822,098)	(2,467,935)
Debt Impairment	29	(52,248,089)	(12,441,361)
Contracted services	30	(52,127,342)	(59,805,560)
Loss on disposal of assets and liabilities		(1,574,049)	(310,020)
General Expenses	31	(22,977,479)	(42,854,693)
Total expenditure		**(263,314,384)**	**(253,529,363)**
Surplus (deficit) for the year		**5,663,826**	**(7,491,639)**

* See Note 38 & 37

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	-	378,481,765	378,481,765
Adjustments			
Correction of errors	27,598,810	27,590,207	55,189,017
Balance at 01 July 2018 as restated*	**27,598,810**	**406,071,972**	**433,670,782**
Changes in net assets			
Surplus for the year	-	(7,491,639)	(7,491,639)
Total changes	-	(7,491,639)	(7,491,639)
Opening balance as previously reported	27,598,810	377,208,297	404,807,107
Adjustments			
Correction of errors	-	21,372,041	21,372,041
Restated* Balance at 01 July 2019 as restated*	**27,598,810**	**398,580,338**	**426,179,148**
Changes in net assets			
Revaluation of Landfil site	20,243,101	-	20,243,101
Net income (losses) recognised directly in net assets	20,243,101	-	20,243,101
Surplus for the year	-	5,663,826	5,663,826
Total recognised income and expenses for the year	20,243,101	5,663,826	25,906,927
Total changes	20,243,101	5,663,826	25,906,927
Balance at 30 June 2020	**47,841,911**	**404,244,164**	**452,086,075**

Note(s)

* See Note 38 & 37

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Taxation		13,423,853	-
Sale of goods and services		9,406,553	30,596,077
Grants		181,819,329	230,925,209
Interest income		1,199,339	1,065,479
Other receipts		-	62,550
		205,849,074	262,649,315
Payments			
Employee costs		(100,426,297)	(98,306,423)
Suppliers		(74,169,577)	(95,606,009)
Finance costs		(2,026,803)	(580,779)
		(176,622,677)	(194,493,211)
Net cash flows from operating activities	34	**29,226,397**	**68,156,104**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(41,990,594)	(33,776,482)
Proceeds from sale of property, plant and equipment	4	373,559	587,147
Purchase of other intangible assets	5	-	(124,505)
Proceeds from sale of other intangible assets	5	(28,612)	-
Purchases of heritage assets	6	-	(80,000)
Net cash flows from investing activities		**(41,645,647)**	**(33,393,840)**
Cash flows from financing activities			
Movement in income received in advance		-	347,765
Net increase/(decrease) in cash and cash equivalents		**(12,419,250)**	**35,110,029**
Cash and cash equivalents at the beginning of the year		47,248,103	12,138,075
Cash and cash equivalents at the end of the year	11	**34,828,853**	**47,248,104**

* See Note 38 & 37

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	15,990,534	(9,533,975)	**6,456,559**	5,598,509	**(858,050)**	Ref 1
Rendering of services	-	-	**-**	392,780	**392,780**	Ref 2
Rental of facilities and equipment	376,355	273,645	**650,000**	524,096	**(125,904)**	Ref 3
Licences and permits	1,713,357	(613,357)	**1,100,000**	779,816	**(320,184)**	Ref 4
Other income - (rollup)	892,671	(467,671)	**425,000**	1,722	**(423,278)**	Ref 5
Interest received - investment	3,000,000	(1,500,000)	**1,500,000**	1,199,339	**(300,661)**	Ref 6
Total revenue from exchange transactions	**21,972,917**	**(11,841,358)**	**10,131,559**	**8,496,262**	**(1,635,297)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	64,420,419	(29,747,072)	**34,673,347**	36,407,960	**1,734,613**	7
Interest, Dividends and Rent on Land	7,538,906	2,609,487	**10,148,393**	11,467,103	**1,318,710**	Ref 8
Transfer revenue						
Government grants & subsidies	175,222,500	(254,000)	**174,968,500**	211,050,758	**36,082,258**	Ref 9
Fines, Penalties and Forfeits	3,890,579	(978,914)	**2,911,665**	1,556,127	**(1,355,538)**	Ref 10
Total revenue from non-exchange transactions	**251,072,404**	**(28,370,499)**	**222,701,905**	**260,481,948**	**37,780,043**	
Total revenue	**273,045,321**	**(40,211,857)**	**232,833,464**	**268,978,210**	**36,144,746**	
Expenditure						
Personnel	(94,674,935)	5,974,406	**(88,700,529)**	(83,969,146)	**4,731,383**	Ref 11
Remuneration of councillors	(15,971,320)	(9,810)	**(15,981,130)**	(16,274,780)	**(293,650)**	Ref 12
Depreciation and amortisation	(30,000,000)	-	**(30,000,000)**	(29,294,598)	**705,402**	Ref 13
Finance costs	(1,927,439)	(600,000)	**(2,527,439)**	(2,026,803)	**500,636**	Ref 14
Lease rentals on operating lease	-	-	**-**	(2,822,098)	**(2,822,098)**	Ref 15
Debt Impairment	(12,000,000)	-	**(12,000,000)**	(52,248,089)	**(40,248,089)**	Ref 16
Contracted Services	(32,200,000)	(16,159,819)	**(48,359,819)**	(52,127,342)	**(3,767,523)**	Ref 17
Transfers and Subsidies	(1,100,000)	1,100,000	**-**	-	**-**	
General Expenses	(45,512,500)	8,613,269	**(36,899,231)**	(22,977,479)	**13,921,752**	
Total expenditure	**(233,386,194)**	**(1,081,954)**	**(234,468,148)**	**(261,740,335)**	**(27,272,187)**	
Operating surplus	**39,659,127**	**(41,293,811)**	**(1,634,684)**	**7,237,875**	**8,872,559**	
Loss on disposal of assets and liabilities	-	-	**-**	(1,574,049)	**(1,574,049)**	
Surplus before taxation	**39,659,127**	**(41,293,811)**	**(1,634,684)**	**5,663,826**	**7,298,510**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**39,659,127**	**(41,293,811)**	**(1,634,684)**	**5,663,826**	**7,298,510**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Ref 1: Service charges
The variance is 13% below budget. The Municipality over budgeted for revenue from service charges
Ref 2: This relates to the security service the municipality was providing in the st Lucia resident. A write off for this services has left this balance which is current.
Ref 3
The variance is 19% below budget. This is because of the COVID 19 outbreak which result a less activities to take place like weeding's and functions, exams etc. This has resulted in less revenue on rentals.

Ref 4
The municipality underperformed by 29% because of delays encountered in completion of the Traffic Management Centre which resulted in low revenue generated.

Ref 5
This was under budgeted for.

Ref 6
The variance is 14% below budget. Most of the government grants for capital projects were spent within a year and hence there was little cash reserves for investments.

Ref 7
The variance is 5% above budget which is within budget

Ref 8

The variance is 13% above budget. This is because of the increase in the debtors' book.

Ref 9
The variance is 17% above budget. The budget does not include capital projects funding.

Ref 10
The variance is 47% below budget. Fines includes both traffic and library fines. The nation-wide lockdown regulation has resulted in stopping other services like this line item.

Ref 11
The expenditure is 5% below budget. This is because of cost savings implemented in other line items like overtime, travelling cost, accommodation. Also some of the budgeted post were not filled.

Ref 12

This is in in line with the budget.

Ref 13
The expenditure is within budget

Ref 14
The expenditure is 20% below budget.

Ref 15
This was not budget for

Ref 16
The more than 100% over expenditure is because of huge impairments of consumer debtors.

Ref 17
The variance is 18% above budget. There was an under budget on the component.

Ref 18

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

The expenditure is 38% below budget. Some of the expenses budgeted under general expenses could have been for contracted services.

Accounting Policies

Figures in Rand	Note(s)	2020	2019

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Additional text

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Provision for landfil site

The entity has an obligation to rehabilitate it's landfill site in terms of it's licence stipulations. Provision is made for thisobligation based on the size/ extent of the land to be rehabilitated, the rehabilitation cost per square metre, the monitoring cost per square metre, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value to represent the time value of money.

Other

The municipality's other provisions consist of a provision for long service award. Provisions are measured as the presentvalue of the estimated future outflows required to settle the obligation. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Accounting Policies

1.5 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinate
Other assets	Straight-line	30 years
Specialised plant and equipment	Straight-line	10- 15 years
Other items of plant and equipment	Straight-line	2 - 5 years
Furniture and office equipment	Straight-line	7 - 10 years
Transport assets	Straight-line	5 - 10 years
Road infrastructure	Straight-line	3 - 30 years
Solid waste infrastructure	Straight-line	15 years
Storm water infrastructure	Straight-line	15 - 30 years
Cemetry	Straight-line	20 - 30 years
Community centres	Straight-line	20 - 30 years
Community halls	Straight-line	20 - 30 years
Creches	Straight-line	20 - 30 years
Libraries	Straight-line	20 - 30 years
Outdoor recreational facilities	Straight-line	20 - 30 years
Market stalls	Straight-line	20 - 30 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

1.5 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

1.6 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Accounting Policies

1.8 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Income received in advance	Financial liability measured at amortised cost

1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.9 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.9 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.9 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.9 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.9 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.10 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.10 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

1.11 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Accounting Policies

1.18 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Jul 2009 to 30 Jun 2010.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.20 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

Accounting Policies

1.20 Related parties (continued)

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.22 Retention

Retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.Progress billings are amounts of contract cost billed for work performed on a contract whether or not they have been paid.The municipality recognises Retention on accrual basis on presentation of the Progress Certificate by the municipal Engineers.The retentions are recognised and presented as current liability. The retained amounts are included on the Work In Progressaccount balance. Any increase in retention amount is accounted as addition on Retention account balance. Any release of retention amount is deducted on the retention account balance.

1.23 Value Added tax

In line with GRAP 1, the municipality recognises all its financial transactions on accrual basis. Consequently VAT implications resulting from each transaction is accounted for, on the financial records, on recognition each financial transaction. However the municipality has registered with SARS, for Value Added Tax purposes on the payments basis. Which means that VAT is declared or claimed to/from SARS when the payment has been made in respect on VAT input and when the funds have beenreceived in respect of VAT output. The difference resulting from timing difference is recognised as an Asset or Liabilitydepending on the net balance.Additional text

1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	The impact of the is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2020 or later periods:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2099	Unlikely there will be a material impact
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality expects to adopt the guideline for the first time in the 2019/2018 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity (‘SPE’) may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called ‘autopilot’). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties (‘capital providers’) may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE’s activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE’s activities, even though it may own little or none of the SPE’s net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2019/2019 annual financial statements.

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: ‘When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction’. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that ‘a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest’. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities (‘JCEs’).

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2019/2019 annual financial statements.

The definition of ‘minority interest’ has been amended to ‘non-controlling interest’, and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2020/2019 annual financial statements.

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2020/2019 annual financial statements.

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2020/2019 annual financial statements.

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2019 annual financial statements.

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2019 annual financial statements.

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The subsequent amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB’s amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2019 annual financial statements.

3. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	32,082,001	-	32,082,001	32,082,000	-	32,082,000

Reconciliation of investment property - 2020

	Opening balance	Transfers	Total
Investment property	32,082,000	1	32,082,001

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	32,082,000	32,082,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,

3. Investment property (continued)

- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	68,218,000	-	68,218,000	68,218,000	-	68,218,000
Plant and machinery	7,813,758	(4,056,575)	3,757,183	8,543,256	(3,741,080)	4,802,176
Furniture and fixtures	4,508,356	(2,397,470)	2,110,886	5,869,026	(2,461,432)	3,407,594
Motor vehicles	9,060,874	(3,787,833)	5,273,041	9,663,507	(3,182,473)	6,481,034
IT equipment	2,495,671	(858,295)	1,637,376	2,594,950	(834,144)	1,760,806
Infrastructure- roads	187,073,455	(95,432,860)	91,640,595	167,969,651	(83,495,800)	84,473,851
Community	166,147,654	(33,143,800)	133,003,854	131,321,960	(25,271,966)	106,049,994
Other property, plant and equipment	27,481,236	(7,036,727)	20,444,509	27,532,887	(6,134,459)	21,398,428
Work in Progress - roads	-	-	-	1,236,756	-	1,236,756
Infrastructure - Electrical	8,289,199	(3,057,083)	5,232,116	8,289,199	(2,642,623)	5,646,576
Work in Progress- Community assets	488,620	-	488,620	17,130,520	-	17,130,520
Work in Progress- Other assets	26,114,446	-	26,114,446	17,202,346	-	17,202,346
Infrastructure- Solid waste	33,194,860	(13,014,724)	20,180,136	12,951,759	(8,850,369)	4,101,390
Infrastructure- Storm water	114,935,901	(45,233,410)	69,702,491	114,935,901	(40,632,962)	74,302,939
Total	**655,822,030**	**(208,018,777)**	**447,803,253**	**593,459,718**	**(177,247,308)**	**416,212,410**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	68,218,000	-	-	-	-	-	-	-	68,218,000
Plant and machinery	4,802,176	20,491	-	(234,734)	-	-	(830,750)	-	3,757,183
Furniture and fixtures	3,407,594	148,209	-	(762,576)	-	-	(682,341)	-	2,110,886
Motor vehicles	6,481,034	-	-	(282,055)	-	-	(904,517)	(21,421)	5,273,041
Computer equipment	1,760,806	858,482	-	(630,366)	-	-	(351,546)	-	1,637,376
Infrastructure- Roads	84,473,851	-	-	-	19,103,804	-	(11,937,060)	-	91,640,595
Community	106,049,994	190,000	-	-	34,336,049	-	(5,653,733)	(1,918,456)	133,003,854
Other property, plant and equipment	21,398,428	-	-	(37,877)	-	-	(916,042)	-	20,444,509
Work in progress- Infrastructure roads	1,236,756	17,677,048	-	-	(18,913,804)	-	-	-	-
Infrastructure - Electrical	5,646,576	-	-	-	-	-	(414,460)	-	5,232,116
Work in Progress- Community assets	17,130,520	17,884,149	-	-	(34,526,049)	-	-	-	488,620
Work in progress- Other assets	17,202,346	8,912,100	-	-	-	-	-	-	26,114,446
Infrastructure - Solid waste	4,101,390	-	-	-	-	20,243,101	(4,164,355)	-	20,180,136
Infrastructure- Storm water	74,302,939	-	-	-	-	-	(4,600,448)	-	69,702,491
	416,212,410	**45,690,479**	**-**	**(1,947,608)**	**-**	**20,243,101**	**(30,455,252)**	**(1,939,877)**	**447,803,253**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	68,218,000	-	-	-	-	68,218,000
Plant and machinery	5,206,734	637,599	-	-	(1,042,157)	4,802,176
Furniture and fixtures	4,116,469	213,868	-	-	(922,743)	3,407,594
Motor vehicles	7,723,267	682,564	(897,167)	-	(1,027,630)	6,481,034
Computer equipment	1,614,597	545,858	-	-	(399,649)	1,760,806
Community	99,055,211	-	-	11,847,778	(4,852,995)	106,049,994
Other property, plant and equipment	22,316,191	-	-	-	(917,763)	21,398,428
Infrastructure - Roads	85,054,599	-	-	10,739,337	(11,320,085)	84,473,851
Infrastructure - Electrical	5,898,307	162,729	-	-	(414,460)	5,646,576
Infrastructure - Solid waste	6,691,742	-	-	-	(2,590,352)	4,101,390
Infrastructure - Storm water	58,947,732	165,208	-	19,790,447	(4,600,448)	74,302,939
Work in Progress- Community assets	18,578,239	11,600,130	-	(13,047,849)	-	17,130,520
Work in Progress - Roads infrastructure	13,006,230	11,087,839	-	(22,857,313)	-	1,236,756
Work in Progress- Other assets	12,219,773	11,454,973	-	(6,472,400)	-	17,202,346
	408,647,091	**36,550,768**	**(897,167)**	**-**	**(28,088,282)**	**416,212,410**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	4,930,273	23,161,410	18,428,699	46,520,382
Additions/capital expenditure	11,405,469	9,404,667	8,520,538	29,330,674
	16,335,742	**32,566,077**	**26,949,237**	**75,851,056**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	28,024,737	15,593,844	7,725,217	51,343,798
Additions/capital expenditure	10,346,787	11,543,528	10,703,482	32,593,797
Other movements [specify]	(33,441,251)	(3,975,962)	-	(37,417,213)
	4,930,273	**23,161,410**	**18,428,699**	**46,520,382**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,470,009	(1,723,580)	746,429	2,470,009	(1,152,827)	1,317,182

Reconciliation of intangible assets - 2020

	Opening balance	Disposals	Amortisation	Total
Computer software, other	1,317,182	28,612	(599,365)	746,429

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,776,041	124,505	(583,364)	1,317,182

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Service concession assets [State class]	1,104,835	-	1,104,835	1,104,835	-	1,104,835

Reconciliation of heritage assets 2020

	Opening balance	Total
Service concession assets [State class]	1,104,835	1,104,835

Reconciliation of heritage assets 2019

	Opening balance	Additions	Total
Statue	1,024,835	80,000	1,104,835

7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2,264,000)	(2,264,000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(2,264,000)	(2,219,000)
Net expense recognised in the statement of financial performance	-	(45,000)
	(2,264,000)	**(2,264,000)**

Figures in Rand	2020	2019

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	-	(206,000)
Actuarial (gains) losses	-	18,000
Medical aid contributions	-	143,000
	-	**(45,000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	- %	9.17 %
Consumer Price Inflation	- %	5.29 %
Health Care Cost Inflation	- %	6.79 %
Net discount rate	- %	2.23 %

Other assumptions

Profile of active employees	One percentage point increase
Age<5	-
Age 60-64	1
Age 65- 69	2
Age 70- 74	-
Age 75-79	1
>80	-
Average age	69
Averahe employer monthly contributions	3469

Valuation method

In accordance with the requirements of GRAP25, the Projected Unit Credit Method has been applied to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. However, the actual experience of the beneficiaries of Mtubatuba Municipality will vary from these assumptions. These variations emerge at each valuation as actuarial gains or losses.The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society ofSouth Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP25.52

8. Receivables from non-exchange transactions

Fines	-	10,227,590
Other receivable from non exchange transactions	138,837	289,984
Amount defrauded by former employee	1,211,349	1,211,349
	1,350,186	**11,728,923**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, - (2019: -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	-	50,950
2 months past due	-	136,700
3 months past due	-	70,500

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

8. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2020, other receivables from non-exchange transactions of - (2019: -) were impaired and provided for.

The amount of the provision was - as of 30 June 2020 (2019: -).

The ageing of these loans is as follows:

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(8,779,960)	(7,304,515)
Provision for impairment	-	(1,475,445)
	(8,779,960)	**(8,779,960)**

9. VAT receivable

VAT	-	1,983,111

10. Consumer debtors

Gross balances		
Rates	109,714,732	102,576,295
Refuse	21,845,000	18,695,921
Other (specify)	9,616,905	9,499,214
	141,176,637	**130,771,430**

Less: Allowance for impairment		
Rates	(100,710,221)	(69,891,770)
Refuse	(16,103,032)	(15,149,404)
Security	(1,150,737)	(2,033,386)
	(117,963,990)	**(87,074,560)**

Net balance		
Rates	9,004,511	32,684,525
Refuse	5,741,968	3,546,517
Security	8,466,168	7,465,828
	23,212,647	**43,696,870**

Rates		
Current (0 -30 days)	2,871,042	-
31 - 60 days	605,445	-
61 - 90 days	858,646	-
91 - 120 days	2,786,907	-
121 - 365 days	102,563,746	102,576,155
Impairment provision	(100,681,275)	(69,891,630)
	9,004,511	**32,684,525**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

10. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	795,206	-
61 - 90 days	359,936	-
91 - 120 days	349,936	-
121 - 365 days	20,339,922	18,695,921
Less impairment for doubtful debts	(16,103,032)	(15,149,404)
	5,741,968	**3,546,517**

Other (specify)		
121 - 365 days	9,616,905	9,499,214
Less impairment for doubtful debts	(1,150,737)	(2,033,386)
	8,466,168	**7,465,828**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(78,294,601)	(70,397,562)
Contributions to allowance	(39,669,389)	(16,676,998)
	(117,963,990)	**(87,074,560)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,163	170,626
Bank balances	2,097,966	42,911,473
Short-term deposits	32,724,726	4,166,004
	34,828,855	**47,248,103**

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
First National Bank - Primary 53093735184	2,098,005	42,911,473	2,464,623	2,097,966	42,911,473	2,465,771
First National Bank - Eskom 71044025057	191,600	191,600	191,000	191,600	191,600	191,600
Fist National Bank - Money Market 62424097831	1,556,717	1,491,851	35,386	1,556,717	1,491,851	35,386
First National Bank - Call Account 62424098376	3,837,743	2,104,885	7,070,773	3,837,743	2,104,885	7,070,773
First National Bank - Money Market 3 6242094986	1,864,466	37,160	1,418,524	1,864,466	37,160	1,418,524
First National Bank 62848428117	12,327,934	-	-	12,327,934	-	-
First National Bank - Small Town Rehibilitation 62848429511	7,062,138	-	-	7,062,138	-	-
First Nation Bank - INEP 62848428480	3,111,684	-	-	3,111,684	-	-
Investec Fixed Deposit	-	-	154,207	-	-	154,207
Ithala Corporate Fixed Deposit	-	-	513,486	-	-	513,486
First National Bank - Traffic fines 62451696995	2,626,141	202,247	221,567	2,626,141	203,247	221,567
First National Bank - Petty Cash 62393938249	6,169	35,941	23,689	6,169	35,941	23,689
Nedbank Limited Investment	146,303	138,261	129,646	146,303	138,261	129,646
Cash on hand	-	-	-	-	10,815	15,278
Cashiers collection	-	-	-	-	123,869	56,777
Total	**34,828,900**	**47,113,418**	**12,222,901**	**34,828,861**	**47,249,102**	**12,296,704**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2020	2019
Unspent conditional grants and receipts		
Emergency Housing Project	3,091,105	41,909,887
Massification	-	1,782,589
Expanded Public works Programme	-	1,580,936
Tourism Grant	12,246,404	-
Housing grant	1,232,377	1,232,377
Wall to wall grant	577,480	706,875
COVID Grant	881,827	-
	18,029,193	**47,212,664**

Movement during the year

	2020	2019
Balance at the beginning of the year	47,212,664	4,533,595
Additions during the year	75,080,000	113,687,162
Expenditure for the year	(104,263,471)	(71,008,093)
	18,029,193	**47,212,664**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

13. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	24,684,721	922,347	25,607,068
Provision 3	2,551,577	-	2,551,577
	27,236,298	**922,347**	**28,158,645**

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Unwinding of discount	Total
Environmental rehabilitation	22,600,764	-	-	2,083,957	24,684,721
Long service awards	2,398,188	683,331	(529,942)	-	2,551,577
	24,998,952	**683,331**	**(529,942)**	**2,083,957**	**27,236,298**

	2020	2019
Non-current liabilities	22,861,771	20,889,332
Current liabilities	5,296,874	6,346,966
	28,158,645	**27,236,298**

14. Payables from exchange transactions

	2020	2019
Trade payables	4,915,787	11,947,016
Retentions	5,262,295	3,244,981
Accrued expenses	14,717,729	18,921,086
Accrued bonus	1,915,221	1,915,221
Unallocated deposits	2,331,330	-
Payroll accruals	5,164,369	7,977,528
Accrued Leave	6,851,992	9,116,024
	41,158,723	**53,121,856**

15. VAT payable

	2020	2019
Tax refunds payables	586,806	-

16. Revenue

	2020	2019
Rendering of services	392,780	1,879,105
Service charges	5,598,509	4,545,232
Rental of facilities and equipment	524,096	280,968
Licences and permits	779,816	1,397,958
Other income - (rollup)	1,722	-
Interest received - investment	1,199,339	1,065,479
Property rates	36,407,960	34,070,102
Interest, Dividends and Rent on Land	11,467,103	11,194,902
Government grants & subsidies	211,050,758	190,028,566
Fines, Penalties and Forfeits	1,556,127	1,575,412
	268,978,210	**246,037,724**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

16. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	5,598,509	4,545,232
Rendering of services	392,780	1,879,105
Rental of facilities and equipment	524,096	280,968
Licences and permits	779,816	1,397,958
Other income - (rollup)	1,722	-
Interest received - investment	1,199,339	1,065,479
	8,496,262	**9,168,742**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	36,407,960	34,070,102
Interest, Dividends and Rent on Land	11,467,103	11,194,902
Transfer revenue		
Government grants & subsidies	211,050,758	190,028,566
Fines, Penalties and Forfeits	1,556,127	1,575,412
	260,481,948	**236,868,982**

17. Service charges

Solid waste	5,598,509	4,545,232

18. Fines, Penalties and Forfeits

Overdue Books Fines	-	653
Municipal Traffic Fines	1,556,127	1,574,759
	1,556,127	**1,575,412**

19. Licences and permits (exchange)

Licenses and permits	779,816	1,397,958

20. Lease rentals on operating lease

Equipment		
Contractual amounts	2,822,098	2,467,935

21. Interest, dividends and Rent on Land

Interest - Receivables	11,467,103	11,194,902

22. Investment revenue

Interest revenue		
Bank	1,254,598	1,065,479
Interest charged on trade and other receivables	(55,259)	-
	1,199,339	**1,065,479**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

23. Property rates

Rates received

Residential	28,772,595	25,874,507
State	6,000,584	6,678,311
Municipal	43,600	3,891
Small holdings and farms	1,591,181	1,513,393
	36,407,960	**34,070,102**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

24. Government grants and subsidies

Operating grants		
Equitable share	164,301,000	143,206,000
Library provincial support grant / libraries and archives	3,708,678	307,122
COVID 19 Grant	459,173	-
Expanded Public Works Programme	2,148,000	2,363,832
Tourism Grant	1,753,596	-
Financial Management Grant	1,970,000	1,970,486
Wall to Wall Grant	129,375	3,089,325
	174,469,822	**150,936,765**
Capital grants		
Infrastructure Sports Facility Grant	4,830,936	7,925,801
Municipal Infrastructure Grant	31,750,000	31,166,000
	36,580,936	**39,091,801**
	211,050,758	**190,028,566**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Current-year receipts	31,750,000	-
Conditions met - transferred to revenue	(31,750,000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

This grant is used to construct roads and buildings infrastructure as part of the upgrading of informal settlement areas.

Municipal Emergency Housing

Balance unspent at beginning of year	41,909,887	-
Current-year receipts	-	41,909,887
Expenditure towards the project	(38,818,782)	-
	3,091,105	**41,909,887**

Conditions still to be met - remain liabilities (see note 12).

Massification

Balance unspent at beginning of year	1,782,589	-
Current-year receipts	-	1,782,589
Conditions met - transferred to revenue	(1,782,589)	-
	-	**1,782,589**

Conditions still to be met - remain liabilities (see note 12).

Infrastructure Sports Facility Grant

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

24. Government grants and subsidies (continued)

Balance unspent at beginning of year	1,580,936	3,006,737
Current-year receipts	3,250,000	6,500,000
Conditions met transferred to revenue (Approved rollover - capital	(1,580,936)	(2,684,981)
Conditions met transferred to revenue (Current year allocation - capital)	(3,250,000)	(5,240,820)
	-	**1,580,936**

Conditions still to be met - remain liabilities (see note 12).

The grant received from the Department of Sport and Recreation is used to develop sporting codes within the district. The grant is spent in accordance with the approved business plan.

Community Library Services Grant

Current-year receipts	3,621,000	3,396,447
Conditions met transferred to revenue (Current year allocation - operational)	(3,621,000)	(3,396,447)
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

Used to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding is for the provision of library services.

Tourism Grant

Current-year receipts	14,000,000	-
Conditions met transferred to revenue (Current year allocation)	(1,753,596)	-
	12,246,404	**-**

Conditions still to be met - remain liabilities (see note 12).

Housing Grant

Balance unspent at beginning of year	1,232,377	1,232,377

Conditions still to be met - remain liabilities (see note 12).

Intergrated National Electrical Programme

Current-year receipts	17,000,000	-
Conditions met transferred to revenue (Current year allocation - capital)	(17,000,000)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 12).

INEP is used to address the electrification backlog of all existing and planned residential dwellings (including upgrading informal settlements, new, and normalisation of existing dwellings) and the installation of relevant bulk infrastructure

Finance Management Grant

Balance unspent at beginning of year	-	486
Current-year receipts	1,970,000	1,970,000
Conditions met - transferred to revenue	(1,970,000)	(1,970,486)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 12).

FMG is used to implement financial management reforms required by the MFMA.

Public Works EPWP Grant

Balance unspent at beginning of year	-	293,832
Current-year receipts	2,148,000	2,363,832
Conditions met - transferred to revenue	(2,148,000)	(2,657,664)
	-	-

Conditions still to be met - remain liabilities (see note 12).

EPWP is used to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas. The current year receipt was used to fund expenditure during the current year and thus accordingly recognised as revenue.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

25. Employee related costs

Basic	49,700,947	43,652,235
Bonus	3,683,279	4,443,105
Medical aid - company contributions	4,413,474	4,981,918
UIF	414,858	442,809
SDL	850,437	1,382,503
Leave pay provision charge	(1,816,861)	1,885,966
Pension contributions	10,888,459	10,373,787
Overtime payments	2,405,243	3,020,159
Car allowance	7,288,433	10,027,345
Housing benefits and allowances	586,251	373,140
Cellphone allowance	50,350	368,952
	78,464,870	**80,951,919**

Remuneration of municipal manager

Annual Remuneration	580,964	611,306
Car Allowance	267,943	184,050
Contributions to UIF, Medical and Pension Funds	1,636	-
Cellphone allowance	14,700	-
Housing allowance	267,943	85,890
Other	149,428	174,379
	1,282,614	**1,055,625**

Remuneration of chief finance officer

Annual Remuneration	415,418	373,214
Car Allowance	102,974	124,405
Cellphone allowance	14,700	-
Contributions to UIF, Medical and Pension Funds	104,164	-
Other	-	45,866
Acting allowance	-	20,840
Housing allowance	51,487	-
	688,743	**564,325**

Remuneration of Director Community Services

Annual Remuneration	542,595	488,162
Car Allowance	191,080	184,050
Contributions to UIF, Medical and Pension Funds	65,478	-
Cellphone allowance	25,477	22,740
Other	-	130,054
	824,630	**825,006**

Remuneration - Director Technical Services

Annual Remuneration	700,378	183,032
Car Allowance	122,800	58,445
Acting allowance	-	19,321
Contributions to UIF, Medical and Pension Funds	1,785	-
Other	-	51,526
Cellphone allowance	21,000	-
	845,963	**312,324**

Remuneration- Director: Planning

Figures in Rand	2020	2019

25. Employee related costs (continued)

Annual Remuneration	507,782	-
Car Allowance	181,290	-
Contributions to UIF, Medical and Pension Funds	55,969	-
Cellphone allowance	21,000	-
Housing allowance	90,025	-
	856,066	**-**

Remuneration - Director Corporate Services)

Annual Remuneration	683,614	78,146
Car Allowance	197,084	32,000
Housing allowance	62,188	10,097
Contributions to UIF, Medical and Pension Funds	44,897	-
Acting allowance	-	52,434
Cellphone allowance	18,477	3,000
Other	-	7,000
	1,006,260	**182,677**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

26. Remuneration of councillors

	2020	2019
Mayor	795,172	872,149
Deputy mayor	1,487,106	413,820
Mayoral Committee Members	3,502,653	3,650,089
Speaker	533,620	706,600
Councillors	9,956,229	8,793,699
	16,274,780	**14,436,357**

Detailed Remuneration of Councillors

Councillor	Annual Remuneration	Car Allowence	Cellphone Allowence	Housing Allowence	S&T	Other	Total
Cllr. S Vilane	205,195.70	65,487.96	44,400.00	-	7,090.20	3,170.67	325,344.53
Cllr. E Ntuli	209,599.96	59,405.04	44,400.00	-	-	3,015.24	316,420.24
Cllr. S Vilane	205,195.70	65,487.96	44,400.00	-	7,090.20	3,170.67	325,344.53
Cllr. ZE Nyawo	496,351.58	155,203.20	44,400.00	-	31,941.86	6,679.77	734,576.41
Cllr. NJ Mlambo	381,555.16	-	44,400.00	-	-	4,259.56	430,214.72
Cllr. RBB Mkhwanazi	476,533.30	152,085.00	44,400.00	-	9,246.88	6,448.00	688,713.18
Cllr. SJ Shezi	476,533.80	152,085.00	44,400.00	-	35,251.00	78.00	708,347.80
Cllr. R.M Bukhosini	81,860.00	27,286.65	18,500.00	-	30,187.40	14,833.47	172,667.52
Cllr. S.R Khumalo	205,195.70	65,487.96	44,400.00	-	33,531.24	35,737.78	384,352.68
Cllr. M Ndlovu	205,195.70	65,487.96	44,400.00	-	8,191.80	-	323,275.46
Cllr. NE Zuma	205,195.70	65,487.96	44,400.00	-	37,756.00	43,438.41	396,278.07
Cllr. L.M Mkhwanazi	271,299.18	86,584.80	44,400.00	-	16,875.00	3,688.23	422,847.21
Cllr. MQ Mkhwanazi	271,299.18	86,584.80	44,400.00	-	-	56,163.69	458,447.67
Cllr. PS Tembe (Exc	278,770.28	86,584.80	44,400.00	-	19,466.00	31,351.69	460,572.77
Cllr. NQ Khumalo	205,195.70	65,487.96	44,400.00	-	26,775.55	21,365.14	363,224.35
Cllr. JM Gumede	205,195.70	65,487.96	44,400.00	-	-	2,872.52	317,956.18
Cllr. FN Mpanza	205,195.70	65,487.96	44,400.00	-	-	3,065.40	318,149.06
Cllr. PK Msweli	205,195.70	65,487.96	44,400.00	-	18,203.00	19,824.75	353,111.41
Cllr. GBM Msane	205,195.70	65,487.96	44,400.00	-	18,263.26	19,660.43	353,007.35
Cllr. M Mthethwa	205,195.70	65,487.96	44,400.00	-	48,297.52	17,208.24	380,589.42
Cllr. AV Mabika	205,195.70	65,487.96	44,400.00	-	14,657.84	24,596.49	354,337.99
Cllr. PV Ntshalintshali	205,195.70	65,487.96	44,400.00	-	19,236.00	2,944.96	337,264.62
Cllr. JB Lembede	205,195.70	65,487.96	44,400.00	-	22,188.74	41,608.54	378,880.94
Cllr. TP Zikhali	205,195.70	65,487.96	44,400.00	-	18,274.82	19,658.60	353,017.08
Cllr. ZN Mthethwa	205,195.70	65,487.96	44,400.00	-	29,652.18	19,663.40	364,399.24
Cllr. KN Mpontshana	205,195.70	65,487.96	44,400.00	-	36,699.86	19,475.00	371,258.52
Cllr. PM Mkhwanazi	180,092.00	60,030.63	40,700.00	-	12,582.82	2,730.30	296,135.75
Cllr. MZ Shobede (E	271,299.18	86,584.80	44,400.00	-	28,788.08	3,585.32	434,657.38
Cllr. SN S'Biya	205,195.78	65,487.96	44,400.00	-	20,355.66	2,919.27	338,358.67
Cllr. MS Dr Ntuli	205,195.70	65,487.96	44,400.00	-	15,801.68	30,131.97	361,017.31
Cllr. S ZW Mhlongo	205,195.70	65,487.96	44,400.00	-	56,544.60	3,026.74	374,655.00
Cllr. SJ Khoza	205,195.70	65,487.96	44,400.00	-	-	3,019.86	318,103.52
Cllr. SM Khumalo	205,195.70	65,487.96	44,400.00	-	27,126.60	3,097.18	345,307.44
Cllr. SM Gumede	205,195.70	65,487.96	44,400.00	-	19,151.04	2,872.51	337,107.21
Cllr. MA Gina (Exco I	271,299.18	86,584.80	44,400.00	-	-	41,165.65	443,449.63
-	8,385,993.98	2,545,242.60	1,524,400.00	-	669,226.83	516,527.45	13,641,390.86

27. Depreciation and amortisation

	2020	2019
Property, plant and equipment	28,695,234	33,668,005
Intangible assets	599,364	451,000
	29,294,598	**34,119,005**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Finance costs

Other	2,026,803	3,202,556

29. Debt impairment

Debt impairment	52,248,089	12,441,361

30. Contracted services

Outsourced Services		
Administrative and Support Staff	32,985	-
Catering Services	35,070	205,997
Professional Staff	112,500	44,430
Refuse Removal	6,111,409	7,899,758
Security Services	10,475,356	9,055,506
Transport Services	197,000	53,963
Consultants and Professional Services		
Business and Advisory	4,158,169	16,219,463
Infrastructure and Planning	612,500	-
Legal Cost	8,844,483	2,242,332
Contractors		
Building	5,380,390	815,415
Catering Services	-	225,100
Employee Wellness	322,775	-
Maintenance of Buildings and Facilities	8,410,385	7,307,355
Maintenance of Unspecified Assets	6,315,935	12,585,073
Tracing Agents and Debt Collectors	-	620,000
Traffic and Street Lights	516,595	782,861
Transportation	-	58,500
Stage and Sound Crew	-	1,139,807
Stream Cleaning and Ditching	601,790	550,000
	52,127,342	**59,805,560**

31. General expenses

Advertising	2,282,730	1,964,358
Auditors remuneration	1,872,801	1,686,836
Bank charges	316,648	203,826
Consumables	2,705,375	8,791,541
Delivery expenses	-	115,000
Entertainment	1,109,774	436,395
Insurance	703,228	497,384
IT expenses	1,909,895	3,574,991
Fuel and oil	1,740,606	1,933,416
Postage and courier	-	75,004
Printing and stationery	878,899	2,603,741
Protective clothing	998,068	991,251
Subscriptions and membership fees	222,675	739,070
Telephone and fax	2,314,164	2,149,686
Transport and freight	521,795	839,371
Travel - local	1,090,535	7,471,089
Utilities - Other	372,618	225,392
Other expenses	3,937,668	8,556,342
	22,977,479	**42,854,693**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

32. Auditors' remuneration

Fees	1,872,801	1,686,836

33. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges		
Equipment		
• Contractual amounts	2,822,098	2,467,935
Loss on sale of property, plant and equipment	(1,574,049)	(310,020)
Amortisation on intangible assets	599,364	451,000
Depreciation on property, plant and equipment	28,695,234	33,668,005
Employee costs	100,243,926	98,328,233

34. Cash generated from operations

Surplus (deficit)	5,663,826	(7,491,639)
Adjustments for:		
Depreciation and amortisation	29,294,598	34,119,005
Gain on sale of assets and liabilities	1,574,049	310,020
Debt impairment	52,248,089	12,441,361
Movements in retirement benefit assets and liabilities	-	45,000
Movements in provisions	922,347	2,237,346
Changes in working capital:		
Receivables from exchange transactions	(652,495)	(650,502)
Consumer debtors	(31,763,866)	(25,098,437)
Other receivables from non-exchange transactions	10,378,737	(2,302,829)
Payables from exchange transactions	(11,963,133)	11,237,252
VAT	2,569,917	417,155
Unspent conditional grants and receipts	(29,183,471)	42,902,209
Consumer deposits	137,799	(9,837)
	29,226,397	**68,156,104**

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	11,490,084	39,509,746
Total capital commitments		
Already contracted for but not provided for	11,490,084	11,490,084

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Notes to the Annual Financial Statements

36. Contingencies

	Name of Claimant	Summary of case and progress	Comments
1	Thokozani Ndlazi versus Mtubatuba Local Municipality	Claim for damages based on unlawful arrest , unlawful detention , unlawful assault and humiliation.	Based on the plaintiff he was approached by members of Mtubatuba Metro Police who were in a marked patrol motor vehicle and one of the police officers short at him narrowly missing him and thereafter he was arrested and when he appeared at court the matter was struck out of roll.
2	KZN Black Hawk Security Services versus Mtubatuba Local Municipality	The dispute is over the cancellation of the security contract	On or about September 2017the municipality terminated the services of the service provider due to failure to comply with material terms of the contract and further the service provider submitted fraudulent tax clearance. **Current status** We are still awaiting the trial date from the registrar - The matters were brought on the ordinary cause and due to lock down matters had become style
3	Khutala Property Consortium vs Mtubatuba Local Municipality		Proceedings in the High Court of South Africa,PMB The trial commenced at the abive court and concentrated on the issue of whether or not the notarial lease concluded between the municipality was lawful and valid. The Municipality instructed Law firm (Mathew Francis) to contend that the notorial lease was unlawful and invalid, after the matter was conducted in favour of the Municipality, Khuthala Concortium applied for the appeal at the Supreme Court of Appeal (SCA) and such leave was granted.

37. Prior period errors

Prior Period errors relates to correction done in the 2019/2020 financial year which has significant impact in 2018/2019 financial year. During the asset register analysis process, we have I dentified that prior year depreciation was incorrently calculated which resulted in a significant change in the prior year book value.

During the verification process in 2019/2020 financial year we have identified that some assets were previously not capitalised, adjustments were made making net asset value increase from R399 922 555.32 to R 415 960 972.41. The other effect is that all assets with a cost price of R 3000 or less which were previously capitalised were derecognised due to the change in accounting policies which has a significant effect in the 2018/2019 closing balances

The correction of the error(s) results in adjustments as follows:

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

38. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Property Plant and Equipment		362,539,812	19,037,051	381,576,864
Intangible assets		119,908	1,077,366	1,197,274
Investment property		36,238,000	(4,156,000)	32,082,000
Heritage assets		1,024,835	80,000	1,104,835
		399,922,555	**16,038,417**	**415,960,973**

39. Unauthorised expenditure

	2020	2019
Opening balance as previously reported	60,940,824	28,946,876
Opening balance as restated	**60,940,824**	**28,946,876**
Add: Expenditure identified - current	-	31,993,948
Less expenditure written off	(60,940,824)	-
Closing balance	**-**	**60,940,824**

40. Fruitless and wasteful expenditure

	2020	2019
Opening balance as previously reported	797,781	82,682
Opening balance as restated	**797,781**	**82,682**
Add: Expenditure identified - current	1,424,636	715,099
Less: Amount written off - current	(60,162)	-
Closing balance	**2,162,255**	**797,781**

41. Irregular expenditure

	2020	2019
Opening balance as previously reported	162,004,228	6,883,881
Correction of prior period error	-	139,572,240
Opening balance as restated	**162,004,228**	**146,456,121**
Add: Irregular Expenditure - current	33,387,334	15,548,107
Less: Amounts recoverable - current	2,979,010	-
Less: Amount written off - current	(45,342,880)	-
Less: Amount written off - prior period	(150,048,682)	-
Closing balance	**2,979,010**	**162,004,228**

42. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2020	2019
Opening balance	52,995	6,016
Current year subscription / fee	1,872,801	1,953,460
Amount paid - current year	(1,884,368)	(1,894,449)
	41,428	**65,027**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

42. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

	2020	2019
Opening balance	2,637,747	940,291
Current year subscription / fee	12,768,772	15,396,942
Amount paid - current year	(6,870,683)	(13,699,486)
	8,535,836	**2,637,747**

Pension and Medical Aid Deductions

	2020	2019
Opening balance	2,787,528	1,440,397
Current year subscription / fee	17,053,821	21,785,747
Amount paid - current year	(16,383,226)	(20,438,616)
	3,458,123	**2,787,528**

VAT

	2020	2019
VAT receivable	2,725,389	5,408,756
VAT payable	(3,312,195)	(3,425,645)
	(586,806)	**1,983,111**

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Mrs MM Davies	3,002	21,523	24,525
Councillor JM Gumede	2,251	29,625	31,876
Councillor JB Lembede	3,795	85,961	89,756
	9,048	**137,109**	**146,157**

30 June 2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor MM Davies	3,024	11,068	14,092
Councillor RB Mkhwanazi	2,364	40,308	42,672
Councillor JB Lembede	3,881	78,975	82,856
	9,269	**130,351**	**139,620**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The following deviations occurred during the year.

Deviations		
Emergency	-	373,440
Sole service provider	-	79,029
Recommendations by other organs of state	-	1,927,745
Threat to Councillors - trusted service provider	-	9,959,034
	-	**12,339,248**